

10. Intangible assets

	2006			2005		
	Fund management contracts £mn	Software £mn	Total £mn	Fund management contracts £mn	Software £mn	Total £mn
Cost						
At 1 January	–	27.5	27.5	–	25.6	25.6
Exchange translation adjustments	(0.6)	(0.3)	(0.9)	–	0.2	0.2
Additions	10.5	4.6	15.1	–	1.8	1.8
Disposals	–	(8.0)	(8.0)	–	(0.1)	(0.1)
At 31 December	9.9	23.8	33.7	–	27.5	27.5
Amortisation						
At 1 January	–	(21.9)	(21.9)	–	(14.3)	(14.3)
Exchange translation adjustments	–	0.3	0.3	–	(0.1)	(0.1)
Amortisation for the year	(1.0)	(4.1)	(5.1)	–	(7.5)	(7.5)
Disposals	–	8.0	8.0	–	–	–
At 31 December	(1.0)	(17.7)	(18.7)	–	(21.9)	(21.9)
Carrying amount						
At 31 December	8.9	6.1	15.0	–	5.6	5.6

The increase in intangible assets during the year in respect of fund management contracts comprises the customer contracts and relationships acquired by the Group on the purchase of NewFinance Capital Holdings Limited (see note 38). These contracts are amortised over their useful lives of five to seven and a half years. The software assets included above are amortised over their useful lives of three years. The Group has future commitments to purchase software with a value of £2.2 million. None of the Group's intangible assets are internally generated (2005: £nil).

11. Property, plant and equipment

	2006			2005		
	Office equipment, computers and cars £mn	Long leasehold premises and leasehold improvements* £mn	Total £mn	Office equipment, computers and cars £mn	Long leasehold premises and leasehold improvements* £mn	Total £mn
Cost						
At 1 January	17.9	28.3	46.2	21.8	28.8	50.6
Exchange translation adjustments	(0.6)	(0.6)	(1.2)	0.1	0.1	0.2
Additions	2.3	5.1	7.4	2.3	3.4	5.7
Disposals	(2.1)	(1.1)	(3.2)	(6.3)	(4.0)	(10.3)
At 31 December	17.5	31.7	49.2	17.9	28.3	46.2
Depreciation						
At 1 January	(14.2)	(22.6)	(36.8)	(18.4)	(24.7)	(43.1)
Exchange translation adjustments	0.5	0.4	0.9	–	(0.1)	(0.1)
Depreciation charge for the year	(2.0)	(1.4)	(3.4)	(2.0)	(1.4)	(3.4)
Disposals	2.1	0.7	2.8	6.2	3.6	9.8
At 31 December	(13.6)	(22.9)	(36.5)	(14.2)	(22.6)	(36.8)
Net book value						
At 31 December	3.9	8.8	12.7	3.7	5.7	9.4

* Includes lease deposits of £1.0 million (2005: £1.6 million).

At 31 December 2006 and 2005, none of the above assets were held under finance leases. The Group has future commitments to purchase property, plant and equipment with a value of £9.7 million.

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12. Associates

The interest in associates comprised:

	Equity £mn	Group's share of post- acquisition reserves £mn	Total £mn
At 1 January 2006	7.6	24.0	31.6
Acquisitions	0.1	–	0.1
Capital redemptions	(1.1)	(18.4)	(19.5)
Dividends paid	–	(4.1)	(4.1)
Net gains on available-for-sale investments	–	1.5	1.5
Amounts recycled through the income statement	–	(3.5)	(3.5)
Profit for the year after tax	–	15.6	15.6
At 31 December 2006	6.6	15.1	21.7

The principal associate, Schroder Ventures Investments Limited ('SVIL'), is unlisted and engaged in private equity investment. Its results included in these accounts are shown below, together with the Group's percentage interest therein at 31 December 2006. It is incorporated and operates in Guernsey.

Particulars of issued share and loan capital of the principal associate at 31 December 2006 are:

	Class	Number	Issued capital	Percentage owned by the Group
Guernsey				
Schroder Ventures Investments Limited	Ordinary shares	446,200	£4,462	50
	Deferred shares	107,200	£1,072	50
	Redeemable preference shares	4,462,000	£4,462	50
	'B' redeemable preference shares	610,179	£610,179	–
	'C' redeemable preference shares	2,187,138	£1,474	–
	Senior debt, 2007		£18,431,273	–

The financial statements of SVIL are prepared to 30 June each year. Accounts are prepared to this date so that the company's year end is coterminous with those of its major investments. For the purposes of applying the equity method of accounting, the interim financial statements of SVIL have been used.

When equity accounting for the investment in SVIL, the Group does not recognise its share of the unrealised gains or losses arising on SVIL's own investments, except to the extent that such unrealised reserves fall below zero. The Group's share of SVIL's profit for 2006 therefore does not equate to SVIL's profit for the year multiplied by the Group's percentage ownership.

Summarised financial information in respect of the Group's associates is set out below:

	2006			2005		
	SVIL £mn	Other associates £mn	Total £mn	SVIL £mn	Other associates £mn	Total £mn
Total assets	71.4	2.8	74.2	92.6	11.4	104.0
Total liabilities	(18.9)	–	(18.9)	(30.8)	(0.2)	(31.0)
Net assets	52.5	2.8	55.3	61.8	11.2	73.0
Group's share of associates' net assets	20.7	1.0	21.7	27.8	3.8	31.6
Revenue	20.1	10.1	30.2	21.7	4.2	25.9
Profit for the year	18.1	10.2	28.3	19.6	4.2	23.8
Group's share of associates' profit for the year	12.0	3.6	15.6	12.2	1.5	13.7

The Group has a contractual commitment to the further purchase of share capital in SVIL of £6.6 million, subject to call.

13. Joint ventures

The Group's principal joint venture is a 30 per cent. interest in the ordinary share capital of the Bank of Communications Schroder Fund Management Co. Ltd., which is involved in the management of funds in China.

The Group accounts for its holdings in joint ventures using the equity method. The Group's share of the assets, liabilities, revenue and expenses of the joint ventures are as follows:

	2006			2005		
	China joint venture £mn	Other joint venture £mn	Total £mn	China joint venture £mn	Other joint venture £mn	Total £mn
Current assets	4.6	0.2	4.8	3.9	0.3	4.2
Non-current assets	–	–	–	0.3	–	0.3
Current liabilities	(1.1)	(0.1)	(1.2)	(0.3)	(0.1)	(0.4)
Total equity	3.5	0.1	3.6	3.9	0.2	4.1
Revenue	3.3	0.4	3.7	0.6	0.4	1.0
Expenses	(3.6)	(0.3)	(3.9)	(0.9)	(0.3)	(1.2)
Group's share of joint ventures' (loss)/profit for the year	(0.3)	0.1	(0.2)	(0.3)	0.1	(0.2)

14. Assets backing insurance unit-linked liabilities and insurance unit-linked liabilities

During the year, the Group established a wholly-owned life company to invest in open-ended authorised unit trusts on behalf of clients seeking to invest in unit trusts with a life assurance wrapper.

The Group has negligible exposure to credit risk in relation to the investments of the life company as the risks and rewards associated with its investments are borne by the investors in the life company's funds and not by the life company itself.

Reconciliation of investments in authorised unit trusts to liability linked to life company investments:

	2006 £mn	2005 £mn
Investments in authorised unit trusts	1,307.4	–
Other financial assets ¹	211.7	–
Cash and cash equivalents ¹	12.9	–
Liability linked to life company investments	1,532.0	–

¹Represents the assets of the Schroders Diversified Growth Fund in which the life company is the sole investor. At the balance sheet date, the weighted average effective interest rate earned on cash and cash equivalents was 5.2 per cent.

The carrying amounts of the Group's life company investments are unhedged and are denominated in sterling.

It is estimated that £1,455.4 million of the assets backing insurance unit-linked liabilities, together with an equivalent amount of linked liabilities, will be settled after 12 months, with the balance settling within one year.

As is common practice in the industry, the life company has granted floating charges over its long-term insurance assets to its reinsured policy holders. The floating charges convert into fixed charges in the event of the insolvency of the life company. The charge ensures that such policy holders rank equally with direct policy holders in the event of the insolvency or winding-up of the life company.

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15. Non-current financial assets

2006				
	Held to maturity £mn	Fair value through profit or loss £mn	Available-for-sale £mn	Total £mn
Equities – listed	–	5.2	13.3	18.5
Equities – unlisted	–	18.7	102.8	121.5
Debt securities – listed	57.3	–	–	57.3
Other – unlisted	–	1.3	–	1.3
	57.3	25.2	116.1	198.6

2005				
	Held to maturity £mn	Fair value through profit or loss £mn	Available-for-sale £mn	Total £mn
Equities – listed	–	0.9	5.5	6.4
Equities – unlisted	–	1.7	88.0	89.7
Debt securities – listed	–	26.6	–	26.6
Other – unlisted	–	1.2	–	1.2
	–	30.4	93.5	123.9

The Group's held to maturity investments are held within the Group's Private Banking operations as part of their banking book.

The weighted average maturity or repricing date (whichever is earlier) of the debt securities is 1.6 years (2005: 0.9 years); the weighted average effective interest rate is 3.7 per cent. (2005: 4.2 per cent.). The Group's exposure to credit risk is represented by the carrying amount of the assets.

The carrying amounts of the Group's non-current financial assets are unhedged and are denominated in the following currencies:

	2006 £mn	2005 £mn
Sterling	94.6	48.6
US dollar	36.6	34.5
Euro	66.1	39.5
Other	1.3	1.3
	198.6	123.9

16. Trade and other receivables

	2006			2005		
	Current £mn	Non-current £mn	Total £mn	Current £mn	Non-current £mn	Total £mn
Prepayments and accrued income	148.3	6.6	154.9	122.1	11.3	133.4
Fee debtors	46.1	–	46.1	41.3	–	41.3
Settlement accounts	54.3	–	54.3	59.7	–	59.7
Other debtors	32.7	3.1	35.8	41.1	2.1	43.2
	281.4	9.7	291.1	264.2	13.4	277.6
Loans and advances to customers of Private Banking subsidiaries (see note 18)	316.2	372.1	688.3	266.2	271.0	537.2
Leasing receivables (see note 19)	1.7	5.2	6.9	0.3	6.8	7.1
Retirement benefit assets (see note 4)	–	16.8	16.8	–	8.8	8.8
Derivative contracts (see note 28)	17.7	17.0	34.7	14.2	3.0	17.2
	617.0	420.8	1,037.8	544.9	303.0	847.9

Detailed risk information on loans and advances to customers of Private Banking subsidiaries, leasing receivables and derivative contracts can be found in notes 18, 19 and 28 respectively. All other financial assets listed above are non-interest bearing. The carrying amount of the non-interest bearing trade and other receivables approximates their fair value. The Group's exposure to credit risk is represented by the carrying amount of the assets.